GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:261
ANSWERED ON:04.12.2007
FDI IN INDUSTRIES
Reddy Shri Karunakara G.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether any proposal to increase the limit of Foreign Direct Investment (FDI) in the small and medium scale industries is under the consideration of the Government;

(b) if so, the percentage of investment limit fixed during the current financial year; and

(c) the action taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 261 FOR ANSWER ON 4.12.2007 REGARDING FDI IN INDUSTRIES

(a) to (c): In pursuance of the New Industrial Policy of 1991, "Policy Measures for Promoting and Strengthening Small, Tiny and Village Enterprises" was announced in August, 1991, which provided for allowing equity participation by other industrial undertakings in the small scale industries not exceeding 24% of the total shareholding. This was a measure to provide access to the capital market and to encourage modernization and technological upgradation in this sector.

2. Notification No.857(E) of 10th December, 1997 defined the small scale industries/ ancillary industrial undertakings. It provided that no small scale industrial undertaking shall be subsidiary of or owned or controlled by other industrial undertakings. This included limiting equity participation (both foreign and domestic) by such other industrial undertakings to 24%.

3. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force with effect from 2.10.2006, defines the small scale sector only on the basis of investment in plant and machinery and does not restrict equity participation (both domestic and foreign) from other industrial undertakings at 24%.

4. In the above background, Government has taken a decision to rescind notification No.857(E) dated 10.12.1997 and subsequent amendments thereto. After the rescindment of the notification, other industrial undertakings would be able to participate in the equity (both domestic and foreign) of SSI undertakings upto 100%.